

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6514

BILL NUMBER: HB 1043

DATE PREPARED: Mar 6, 2000

BILL AMENDED: Mar 3, 2000

SUBJECT: Unemployment insurance.

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FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State & Local

Summary of Legislation: (CCR Amended) This bill increases the earnings base used to compute unemployment compensation over three years to a maximum of \$7,900 in a calendar quarter. The bill also adjusts the unemployment compensation contribution rate for employers in calendar years 2001 and 2002.

Effective Date: July 1, 2000.

Explanation of State Expenditures: (Revised) The current earnings base used for the computation of weekly benefits is \$5,800 per quarter for a maximum weekly benefit of \$252. Increasing the earnings base to \$7,900 per quarter increases the maximum weekly benefit to \$336, an increase of \$84 (33.3%). In 1999, the average weekly benefit paid was approximately \$219.28, \$32.72 below the maximum benefit allowed. Using the average weekly unemployment benefits paid in 1999, the following table illustrates the potential fiscal impact of changing the earnings base.

Avg. Computed Weekly Benefit Amount at \$5,800	\$219.28 per week
Avg. Computed Weekly Benefit Amount at \$6,200	\$237.40 per week
Avg. Computed Weekly Benefit Amount at \$6,600	\$247.66 per week
Avg. Computed Weekly Benefit Amount at \$7,000	\$256.83 per week
Percent increase from \$5,800 to \$6,200	8.26%
Percent increase from \$6,200 to \$6,600	4.32%
Percent increase from \$6,600 to \$7,000	3.70%

Amount of Unemployment Insurance compensated in 1999	\$273,270,000
Estimated Impact to go to \$6,200	\$22,577,000
Estimated Impact to go to \$6,600	\$35,364,000
Estimated Impact to go to \$7,000	\$46,793,000

This provision will impact the amount of benefits available to an individual from the Unemployment Benefit Trust Fund. Based on the amount paid in unemployment benefits in FY 1999, this bill would increase expenditures from the Unemployment Benefit Trust Fund by approximately \$22.6M in FY 2001, \$35.4M in FY 2002, and \$46.8M for FY 2003.

Note: The Unemployment Benefit Trust Fund is funded by quarterly contributions made by employers. The amount of each employer's contribution is based on each employer's individual unemployment account history and the past year's statewide unemployment rate. Other factors, including benefits paid to former employees, voluntary payments made, and the partial selling and purchasing of other businesses by the employer also impact each employer's rate. The potential impact of the provisions of this bill will change as the state's economy changes. For example, if the state's unemployment rate increases, the amount of unemployment benefits paid from the Fund will increase, and an employer's contribution rate to the Fund will change.

The State of Indiana is self insured for unemployment benefits and pays claims as they occur. Each agency is responsible for paying its unemployment claims. For FY 1999 the state paid \$1.5 M in benefits, \$956,447 from the General Fund and \$574,957 from dedicated funds. The maximum impact to state agencies is about \$127,000 for FY 2001 (\$79,000 from the General Fund and \$48,000 from dedicated funds), \$194,000 for FY 2002, and \$257,000 for FY 2003.

Explanation of State Revenues: (Revised) The bill reduces revenue to the Unemployment Benefit Trust Fund by creating a new schedule E to be used for CY 2001. The existing schedule D is to be used for CY 2002. For FY 1998-99, the revenue to the fund was \$265,499,209. The amount of the reduction depends on the economic and employment conditions for CY 2001 and CY 2002. If the conditions for CY 2001 and CY 2002 are similar to CY 1999, then the new schedule E would reduce revenue by about \$54.1 million for CY 2001 and the use of schedule D would reduce revenue by \$45.9 million for CY 2002.

Explanation of Local Expenditures: The impact on a local unit of government will be as an employer. Depending on the experience of the fund, rates might increase in future.

Explanation of Local Revenues:

State Agencies Affected: Department of Workforce Development and all State Agencies.

Local Agencies Affected: All

Information Sources: Charles Mazza, Department of Workforce Development, (317)232-7460.